

SYSTEMS THINKING FOR LEADERS

When you ask people to use a systems thinking approach, you're asking them to explore and identify the underlying ways in which they think about the business and its operating environment. The table below shows examples of "frames" through which one can view one's organization and its environment.

FRAME	WHAT YOU SEE	
	"SYSTEMS" PERSPECTIVE	"SYMPTOMS" PERSPECTIVE
Customers	Shifts in behavior in specific segments	New, old, desirable, expendable
Competition	Shifts in market positioning and branding	Size, proximity, growth, threat, opportunity
Technology	Shifts in technology driving new business models	What's working, what's broken, what do we need
Operations	Performance measures that integrate and align e.g. balanced scorecards	Different processes, work units, people
Management	Leading through purpose, core values, vision	Managing by objective
Partners	Synergies (or non-synergies)	Desirable, expendable

Most people become accustomed to focusing their attention in just a few places – on the competition, for example, or on technology. When you use a systems thinking approach, you discover just how much each frame alters your thinking. You also discover patterns of assumptions that may have been invisible. We refer to these as "frames." In the field of cognitive science, it's well understood that frames influence how people think about a particular issue or problem. In the world of politics, for example, there's a conservative frame (*"We need to be more self-reliant"*) and a progressive frame (*"We need to do more to help others"*).

In the business world there are many frames as well, depending upon where you're sitting and the view before you. For example, there's the organized labor frame (*"management will take advantage of us"*) and the environmental frame (*"business leaders care more about profits than protecting the environment"*). Each frame has its own way of seeing the world and responding to problems that arise. Each frame typically over-simplifies the problem and inhibits systems thinking.

Here are five frames that affect how a leader may see the world, each carrying with it a set of assumptions about what is important.

1. Strategy: In this frame, you focus on the long-term market trends affecting your business. You think about your competitive position, opportunities for innovation, where

growth will occur, and which broad initiatives are required to capitalize on those trends. You respond positively by thinking about the long-term allocation of resources and how to focus to achieve your most important priorities. You respond negatively by focusing too much on what your competitors are doing.

2. Governance: In the governance frame, you focus on the people that control the direction and resources in your company. You think about the relationship between your board of directors, your chief executive, your leadership team, and the authority that is designated to each. You respond positively by thinking about which governance system and framework will assure that people are aligned around clear decision-making roles. You respond negatively by attributing whatever happens to the organization to decision making at the top of the organization.

3. Performance: In this frame, you focus on the systems for measuring performance – first at the overall organizational level, then at the level of the various business units within the organization, and finally at the team and individual level. You respond positively by focusing on long-range outcomes and deciding which metrics and targets to track at the topmost level, and which systems of communication will best align business units and teams of people in understanding where they are succeeding. You respond negatively by paying too much attention to measures of outputs and isolated cases of poor performance - or by trying to measure things that are extremely difficult to quantify.

4. Process: In the process frame, you focus internally on the processes of producing a particular product or service. The process frame looks at the ways in which the organization creates value: for example, how sales are generated or how orders are fulfilled or how products are received or delivered – and the various technologies that support those processes. The process frame helps you look at the effectiveness and efficiency with which the organization creates value for customers. You respond positively by focusing on improving cycle time, or quality, or decision making – and supporting technology. You respond negatively by micromanaging how people get their work done.

5. Human Resources: In this frame, you focus on getting the right people in the right positions. This frame looks at the competencies you need and how you can develop people to their best potential. You respond positively by developing feedback systems that enable people to learn continuously, to receive coaching and feedback, and to take responsibility for their performance. You respond negatively by selecting and promoting people to leadership roles based on arbitrary factors, such as how much they support you.

Effective leaders appreciate the value of each of these “frames” and employ them in a balanced way to see the world around them clearly.